

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

**DEPARTMENT OF HEALTH AND
SOCIAL SERVICES**

DELAWARE PSYCHIATRIC CENTER

SPECIAL INVESTIGATION

FIELDWORK END DATE: JUNE 16, 2008

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State of Delaware
Office of Auditor of Accounts
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At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following complaints regarding Delaware Psychiatric Center (DPC):

1. Patients' trust fund accounts were used for employee parties.
2. The patient food account funds were used for employee recognition.
3. Fulltime DPC staff are allowed to fill casual-seasonal positions, which allows them to earn a higher rate of pay than if they were receiving overtime pay at their regular position. This is done to circumvent the State system.
4. An employee of DPC would leave DPC during work hours, work at his own business, and bill the State and Medicaid/Medicare for duplicate hours.
5. Employees form 'agreements' with each other, where one employee calls out so another can cover the shift and earn overtime. The 'favor' is returned at a later date.
6. Only favored/certain employees are given overtime.
7. Staffing levels and overtime have remained consistent despite a decrease in the number of patients.
8. Employees are not assigned regular, recurring duties. Their assignments may change daily. As a result, some employees are able, without being detected, to leave work during regular hours and still be paid for working the shift (comment was that "employees draw straws as to who stays for the shift and who leaves.")

Background

The Delaware Division of Substance Abuse and Mental Health (DSAMH) is located in the Department of Health and Social Services (DHSS). DSAMH serves the adult (age 18 and older) population in need of publicly funded behavioral health services. DSAMH operates DPC, Delaware's only state-operated psychiatric hospital for adults. DPC is located on the Herman M. Holloway, Sr. Campus in New Castle, Delaware. DPC provides psychiatric evaluation, diagnosis, and inpatient treatment.

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DEPARTMENT OF HEALTH & SOCIAL SERVICES DELAWARE PSYCHIATRIC CENTER

What We Found

The allegations were unsubstantiated. However, AOA identified the following weaknesses at DPC:

- Lack of support for purchases made on the patients' behalf.
- Conflict of interest when a DPC employee, who was also an Avon representative, purchased items from Avon for the patients. Some of the items were alcohol-based which is against DPC practice.
- For 29 of 35 patient trips selected for testing, there was insufficient documentation to support that appropriate transportation was provided.
- Payroll discrepancies, including over- and under-payments, netting to an overpayment of \$18,931.29.
- Significant discrepancies in time reporting systems.

What We Recommend

DPC should:

- Require that all purchases be supported by receipts/invoices.
- Require proper approvals for disbursement of funds.
- Disallow purchases that can be perceived as a conflict of interest.
- Consider an internal audit function in which patient trust fund accounts are reviewed for propriety.
- Require that treatment teams/supervisors be more involved with purchases made on behalf of the patients. This will help to ensure that purchases are proper, warranted, needed by the patients, and actually provided to the patients.
- Provide training to all employees involved in time reporting and payroll. Training should be detailed and provide clear direction on how to handle the unique time reporting issues of DPC.
- Require more supervisory involvement and review of payroll.
- Consider an internal audit function in which time records and pay are regularly audited for accuracy.
- Recoup overpayments of payroll and provide payment for underpaid payroll.
- Consider a progressive discipline policy for timekeepers, supervisors, and others involved in erroneous payments to employees.
- Hold supervisors accountable for proper recordkeeping and maintaining support of hours worked and leave taken. Discipline supervisors for not maintaining proper records and support.

Please read the complete report for a full list of findings/recommendations and to review DHSS's response to our findings.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATION AND BACKGROUND

ALLEGATION

The Office of Auditor of Accounts (AOA) received the following allegations regarding Delaware Psychiatric Center (DPC):

1. Patients' trust fund accounts were used for employee parties.
2. The patient food account funds were used for employee recognition.
3. Fulltime DPC staff are allowed to fill casual-seasonal positions, which allows them to earn a higher rate of pay than if they were receiving overtime pay at their regular position. This is done to circumvent the State system.
4. An employee of DPC would leave DPC during work hours, work at his own business, and bill the State and Medicaid/Medicare for duplicate hours.
5. Employees form 'agreements' with each other, where one employee calls out so another can cover the shift and earn overtime. The 'favor' is returned at a later date.
6. Only favored/certain employees are given overtime.
7. Staffing levels and overtime have remained consistent despite a decrease in the number of patients.
8. Employees are not assigned regular, recurring duties. Their assignments may change daily. As a result, some employees are able, without being detected, to leave work during regular hours and still be paid for working the shift (comment was that "employees draw straws as to who stays for the shift and who leaves.")

BACKGROUND

The Delaware Division of Substance Abuse and Mental Health (DSAMH) is located in the Department of Health and Social Services (DHSS). DSAMH serves the adult (age 18 and older) population in need of publicly funded behavioral health services. DSAMH operates DPC, Delaware's only state-operated psychiatric hospital for adults. DPC is located on the Herman M. Holloway, Sr. Campus in New Castle, Delaware. DPC provides psychiatric evaluation, diagnosis, and inpatient treatment. The mission of DPC is to improve the quality of life for Delaware's mental health consumers through evaluation, treatment, and rehabilitation so that they may achieve their highest possible level of independent functioning.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The objectives of the investigation were:

1. To determine the propriety of disbursements from patients' trust fund and food accounts.
2. To determine the (a) number of individuals filling concurrent positions, and (b) the propriety of salaries paid.
3. To determine if an employee improperly reported his time.
4. To determine the existence of employee schemes and the equity of awarding overtime.
5. To determine the reasonableness of staffing/patient ratios and overtime earned as compared to required staffing levels.
6. To determine the adequacy of oversight of employees.

SCOPE

The scope of the investigation included:

- A review of patient trust fund activity from July 1, 2006 through November 21, 2007.
- A review of the food appropriation, concurrent positions, and overtime for the period of July 1, 2006 through June 30, 2007.
- A review of an employee's time from January 2004 through December 2007.
- A review of patient and staffing levels for the period of July 1, 2003 through June 30, 2007.

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

Investigative techniques included:

- Interview and inquiry.
- Inspection and confirmation of documentation.

OBJECTIVES, SCOPE, & METHODOLOGY

The investigation consisted of the following procedures:

- Reviewed policies and procedures, laws, and regulations.
- Performed interviews and inquiries.
- Worked with the Attorney General Office (AG) regarding the Medicaid/Medicare allegation.
- Sampled account disbursements and determined propriety of transactions.
- Tested the pay for employees that held concurrent positions.
- Reviewed available documentation to determine equity in awarding overtime.
- Tested documentation for patient and staffing levels.

CONCLUSIONS

Allegation	Results of Testing	Conclusion
Patients' trust fund accounts were used for employee parties.	<p>Per testing, AOA determined that the patients' trust fund accounts were not used for employee parties. However, the following issues and weaknesses were noted with the patients' trust funds:</p> <ul style="list-style-type: none"> • There is a lack of supporting documentation for purchases. Receipts supporting the purchases were not maintained and financial request forms were not completed in their entirety. • Trust funds were used for patient trips. Trip request forms listed the names of patients and supervisors attending the trips and the number of vehicles requested for the trips. AOA tested documentation for 35 trips and found that for 29 of 35 trips (83%), the number of trip attendees exceeded the maximum capacity of the requested vehicles. Vans seat a maximum of 15 people. The number of attendees would range from 13-22 with documentation supporting the reservation of only one van. While DPC believes that additional vehicles were used, there is no documentation to support that claim. • An employee of DPC was also an Avon representative. The employee was responsible for making purchases on the patients' behalf. The employee purchased items from Avon for the patients. When initially questioned regarding the purchases, the employee indicated that purchases were made from a specific Avon representative. Upon further investigation and inquiry by AOA, the employee admitted that she was an Avon representative and made the purchases through her account. The items were purchased using the employee's discounted rate. Detailed invoices by patient were not maintained for the purchases. The lack of sufficient support made it impossible for AOA to determine if patients received all of the items that were purchased with the patients' funds. In addition, the employee's supervisors were unaware that any purchases were made from Avon. Finally, some of the products purchased were alcohol-based which is contrary to DPC practice. The employee ended her employment with DPC during the course of the investigation. 	Unsubstantiated.
The patient food account funds were used for employee recognition.	AOA determined that the 'food account funds' are included in the Supplies and Materials appropriation. This appropriation is also used for employee recognition. Per testing of transactions in the appropriation, the funds were used appropriately. Funds spent for employee recognition were within the State guidelines.	Unsubstantiated.

CONCLUSIONS

Allegation	Results of Testing	Conclusion
Fulltime DPC staff are allowed to fill casual-seasonal positions, which allows them to earn a higher rate of pay than if they were receiving overtime pay at their regular position. This is done to circumvent the State pay system.	AOA tested the pay stubs, time cards, and personnel files of 24 employees holding concurrent positions. Based on the testing performed, DPC staff were qualified to fill casual/seasonal positions and there was no evidence of circumventing the State pay system. However, AOA did find discrepancies with the salaries paid to employees. From the transactions tested, there were 4 instances in which salaries were overpaid; the overpayment totaled \$2,462.54. One instance of an underpayment totaled \$679.32. In addition, 2 individuals holding an FLSA exempt position were given overtime rather than compensatory time resulting in overpayment of salaries in the amount of \$9,224.10.	Unsubstantiated.
An employee of DPC would leave DPC during work hours, work at his own business, and bill the State and Medicaid/Medicare for duplicate hours.	<p>AOA determined the employee worked a compressed workweek during 2004 and 2005. During 2006 and 2007, the employee worked a regular five-day week. The employee would clock in and out at various times that were not consistent with his schedule. DPC was unable to locate documentation to support approval of the employee's compressed work schedule. AOA reviewed time and leave records and determined that DPC uses four systems to track/report time and leave. AOA compared the four systems and found significant discrepancies with leave. The discrepancies appear to be a reporting weakness and a lack of proper supervision of the employee's time and leave. DPC researched the discrepancies identified by AOA and determined that the employee was overpaid for 255.75 hours of vacation, compensatory time, and regular pay resulting in a total overpayment of \$7,923.97 (please note that due to lack of adequate support, AOA did not audit the hour and dollar figures calculated by DPC). Both the employee and the employee's supervisor have discontinued their employment with DPC.</p> <p>AOA provided the employee's time records for DPC to the AG for their determination as to whether hours were duplicated with the State and Medicaid/Medicare. Due to questionable documentation at DPC as well as the employee's other two places of business, there was insufficient documentation to support duplicate billing of hours.</p>	Unsubstantiated.

CONCLUSIONS

Allegation	Results of Testing	Conclusion
Employees form 'agreements' with each other, where one employee calls out so another can cover the shift and earn overtime. The 'favor' is returned at a later date.	Based on interviews and review of available documentation, AOA did not identify any instances of employee agreements.	Unsubstantiated.
Only favored/certain employees are given overtime.	DPC has a system in place where employees sign-up for scheduled overtime. The majority of people that sign-up for overtime received overtime, as there are numerous openings. In addition to scheduled overtime, there are instances of mandated overtime in which employees call off. In these instances, DPC must meet the required staffing levels. Employees may be held over or employees may be called into work. A hierarchy exists for who is called first. Some employees are willing to work overtime in any section of DPC; they are generally contacted first so that staffing levels are met in a timely manner. There was no evidence of favoritism.	Unsubstantiated.
Staffing levels and overtime have remained consistent despite a decrease in the number of patients.	AOA tested patient and staff numbers for FY04, FY05, FY06, and FY07. AOA concluded that the staff and patient levels remained constant and appear to be reasonable. AOA determined that the daily patient levels averaged between 225 and 241 from FY04 through FY07. The number of positions filled within DPC averaged between 550 and 564 from FY04 through FY07.	Unsubstantiated.
Employees are not assigned regular, recurring duties. Their assignments may change daily. As a result, some employees are able, without being detected, to leave work during regular hours and still be paid for working the shift.	<p>AOA noted instances in which the timekeeping system was not used properly. DPC has a progressive discipline policy to address improper use of the timekeeping system. AOA reviewed documentation in which DPC utilized the progressive discipline policy to address issues of employees not using the timekeeping system properly.</p> <p>During inquiries and review of available documentation, AOA did not identify instances in which employees left DPC during work hours while still being paid for working the shift.</p>	Unsubstantiated.

FINDINGS AND RECOMMENDATIONS

Finding #1 – Patient Trust Funds

AOA reviewed patient trust fund accounts to determine the propriety of disbursements for FY07. AOA reviewed 2,531 transactions with a total dollar amount of \$521,473.37 for 13 patients trust fund accounts. After reviewing the transactions, AOA found the following:

- Receipts were not provided for 1,360 transactions totaling \$31,593.33.
- There were 54 transactions totaling \$4,851.14, in which either the patient or social worker or both did not authorize the transaction.
- A financial request form was not provided for 33 transactions totaling \$2,671.00. These transactions represented recurring, monthly payments made on the patient's behalf (e.g. storage fees).
- An employee that was also an Avon representative purchased items from Avon on behalf of the patients. DPC did not have evidence of what was purchased. Invoices provided by the employee detailed purchases made by the employee; however, they did not detail which patients received the items. Supervisors were unaware of the purchases. In addition, some of the items were alcohol-based, which is contrary to DPC practice.
- For 29 of 35 trips selected for testing, there was insufficient documentation to support that appropriate transportation was provided.
- There was one transaction for \$40 in which the social worker called to request the financial request form be increased. There was no evidence of patient approval.

The above issues point to a lack of controls, supervision, and sufficient documentation.

Recommendation

DPC should:

- Require that all purchases be supported by receipts.
- Require that patients, or an approved designee, sign the financial request forms acknowledging receipt of funds.
- Require that financial request forms be submitted for all disbursements of patient trust funds, or, if the transaction is a recurring monthly payment, a signed authorization by the patient should be kept on file.
- Disallow purchases that can be perceived as a conflict of interest.
- Require that a new financial request form is completed and signed by the patient, or an approved designee when any changes are made.
- Consider an internal audit function in which patient trust fund accounts are reviewed for propriety.
- Require that treatment teams/supervisors be more involved with purchases made on behalf of the patients. This will help to ensure that purchases are proper, warranted, needed by the patients, and actually provided to the patients.

FINDINGS AND RECOMMENDATIONS

Auditee Response

In March 2008, DPC revised its policy related to purchases made with patient funds. As per the revised policy, effective March 31, 2008, the DPC fiscal office requires that all purchases, regardless of the amount, be recorded and supported by a merchant receipt.

As per the March 31, 2008, policy related to purchases made with patient funds, patients are required to sign a form to confirm the receipt of goods purchased on their behalf or funds disbursed from their patient trust account.

If patients are unable to sign the acknowledgement forms, the patient's social worker will serve as the patient's representative authorized to sign on the patient's behalf.

Effective April 2008, all purchases made for patients must be approved by the patient's treatment team. No purchases will be authorized without the signature of the patient's social worker.

In April 2008, the DPC fiscal office reviewed its current methodology for conducting audits on patient trust accounts. Additional checks and reviews were added to the audit process to improve the audits of the accounts and reviews for propriety.

Both DPC and DSAMH have established policies that prohibit purchases that can be perceived as a conflict of interest.

Finding #2 – Payroll Discrepancies

AOA tested the pay stubs, time cards, and personnel files of 24 employees holding concurrent positions. AOA found the following discrepancies:

- DPC reported the same historical edit twice to reimburse an individual for 6.75 hours of unpaid service resulting in an overpayment of \$133.34.
- A discrepancy occurred with one employee in 20 of 26 pay cycles resulting in a collective 36.5 hours of overpayment. The error is estimated at \$1,309.83
- In another case, an employee was overpaid \$874.20 for 60.25 hours of docked pay because of a miscommunication in the timekeeping and payroll system.
- One individual was overpaid for 7 hours totaling \$145.17 because of discrepancies between the hours reported and the amount of hours paid. The same individual was also underpaid 34 hours totaling \$679.32. The net difference totals an underpayment of \$534.15.

Sound internal controls provide a reasonable assurance that all records are accurate. A lack of oversight or checks and balances has resulted in timekeepers inaccurately reviewing time records, and a miscommunication between departments. Good business practices and sound internal controls can reduce the risk that an individual would perpetrate and/or conceal errors in the normal course of his or her duties.

FINDINGS AND RECOMMENDATIONS

Recommendation

DPC should:

- Provide training to all employees involved in time reporting and payroll. Training should be detailed and provide clear direction on how to handle the unique time reporting issues of DPC.
- Require more supervisory involvement and review of payroll.
- Consider an internal audit function in which time records and pay are regularly audited for accuracy.
- Recoup the overpaid amounts and provide payment for the underpaid amount.
- Consider a progressive discipline policy for timekeepers, supervisors, and others involved in erroneous payments to employees.

Auditee Response

In May of 2008, the DPC started working with the Division of Management Services to develop specialized training curricula for the DPC timekeepers. The training curricula were completed in June 2008 and training will be conducted during the month of July 2008. The training is extensive and designed to address all of the nuances associated with time keeping in a 24-hour facility.

Documentation regarding competency for each timekeeper will be maintained in the employee's file and used as a tool during the performance plan and evaluation processes.

As of November 2007, all DPC supervisors are required to sign/initial each exception report as verification that the employee's time has been reviewed and approved for payment.

Since November 2007, DPC has employed an internal auditor who conducts three way audits between, Kronos, employee timecards, and sign-in sheets.

All identified instances of over and underpayment are being addressed. Affected employees are being notified, some repayment agreements have been reached and some repayments have begun.

Finding #3 - Overtime

Two DPC employees held merit positions, which were ineligible for overtime. One individual worked 65 hours of overtime earning compensation of \$1,494.48 while the other earned \$7,729.62 for approximately 158.25 hours of overtime.

It is the common practice of DHSS, supported by the Office of Management and Budget Human Resources Management, for an FLSA exempt Nurse, Nurse Supervisor, Nurse Consultant, or Advanced Practice Nurse to be awarded overtime even though their position restricts them to compensatory time. However, AOA determined that the two employees in question were in an FLSA exempt position not described above.

Human error, lack of knowledge, and lack of supervisory review attributed to the discrepancies and resulted in improper pay to employees.

FINDINGS AND RECOMMENDATIONS

Recommendation

DPC should:

- Provide training to all employees involved in time reporting and payroll. Training should be detailed and provide clear direction on how to handle the unique time reporting issues of DPC.
- Recoup the overpaid amounts and adjust compensatory leave balances.
- Require more supervisory involvement and review of payroll.
- Consider an internal audit function in which time records and pay are regularly audited for accuracy.
- Consider a progressive discipline policy for timekeepers, supervisors, and others involved in erroneous payments to employees.

Auditee Response

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All identified instances of over and underpayment are being addressed. Affected employees are being notified, some repayment agreements have been reached and some repayments have begun.

Finding #4 – Leave Records

An employee was overpaid for 255.75 hours of vacation, compensatory time, and regular pay resulting in a total overpayment of \$7,923.97. Leave records were not properly updated in accordance with Merit Rules and DPC policies and procedures. Lack of supervisory review and involvement resulted in the discrepancies. Both the employee and the employee's supervisory discontinued their employment with DPC.

FINDINGS AND RECOMMENDATIONS

Recommendation

DPC should:

- Recoup the overpaid amounts and adjust compensatory leave balances.
- Consider an internal audit function in which time records and pay are regularly audited for accuracy.
- Hold supervisors accountable for proper recordkeeping and maintaining support of hours worked and leave taken. Discipline supervisors for not maintaining proper records and support.

Auditee Response

As of November 2007, all DPC supervisors are required to sign/initial each exception report as verification that the employee's time has been reviewed and approved for payment.

Since November 2007, DPC has employed an internal auditor who conducts three way audits between, Kronos, employee timecards, and sign-in sheets.

In June 2008, the employee was notified of overpayment and repayment arrangements have been made and repayment has begun.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

Mr. Vincent Meconi, Cabinet Secretary, Department of Health and Social Services

Ms. Renata Henry, Director, Division of Substance Abuse and Mental Health, Department of Health and Social Services

Ms. Valencia Beaty, Director, Division of Management Services, Department of Health and Social Services

Ms. Melody Lasana, Controller, Division of Management Services, Department of Health and Social Services